

Message Text

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SUBJECT: SINO-ROMANIAN TRADE

REF: BUCHAREST 0177, 75 PEKING 1169, 75 PEKING 1753

1. DURING CALL ON USLO JANUARY 13, ROMANIAN EMBASSY COMMERCIAL OFFICER, NICOLAE MIHAIESCU, PROVIDED THE FOLLOWING INFORMATION ON THE 1974-76 SINO-ROMANIAN TRADE AGREEMENTS AND FUTURE PRC EXPORTS OF CRUDE OIL TO ROMANIA.

2. 1976 TRADE AGREEMENT. NEGOTIATIONS ARE NOW UNDER WAY FOR THIS YEAR'S ANNUAL TRADE PROTOCOL SCHEDULED TO BE SIGNED IN PEKING IN LATE JANUARY BY ROMANIAN VICE PREMIER PATAN. FOR THE FIRST TIME ALL GOODS TRADED UNDER THE AGREEMENT WILL BE VALUED AT INTERNATIONAL PRICES STATED IN SWISS FRANCS. (THIS IS THE SAME PRACTICE USED BY MOST OTHER EAST EUROPEAN COUNTRIES.) PREVIOUSLY THE ROMANIANS USED A COMBINATION OF "HISTORICAL" AND CURRENT PRICES, WITH EACH SIDE VALUING THEIR EXPORTS IN THEIR OWN CURRENCIES. COMMODITY COMPOSITION OF THIS YEAR'S AGREEMENT WILL BE ALMOST

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IDENTICAL TO LAST YEAR'S, BUT THE VALUE OF GOODS EX-

CHANGED COULD INCREASE MARKEDLY BECUASE OF THE USE OF MORE REALISTIC PRICES. MIHAIESCU SAID SOME CONTRACTS HAD ALREADY BEEN CONCLUDED AND HE EXPECTED UNUSUALLY HARD BARGAINING ON THE REMAINDER SINCE BOTH SIDES HAVE YET TO AGREE ON A COMMON DEFINITION FOR WHAT CONSTITUTES A WORLD PRICE.

3. SINO-ROMANIAN OIL TRADE. DESPITE PROBLEMS ARISING FROM THE LOW VISCOSITY OF SHENGLI CRUDE AND NECESSITY OF USING SMALL TANKERS, MIHAIESCU SAID THE ENTIRE 500,000 TONS PURCHASED BY ROMANIA HAD BEEN SHIPPED FROM CHINA BY THE END OF 1975. THIS PURCHASE WAS MADE OUTSIDE THE CONTEXT OF LAST YEAR'S TRADE AGREEMENT AND THE SAME WILL BE TRUE IN THE FUTURE. MIHAIESCU SAID THE CHINESE WERE ASKING "INTERNATIONAL PRICES" FOR CRUDE AND HE DID NOT MENTION THE TRADE-OFF FOR FERTILIZER REPORTED REF. A. AGREEMENT HAS NOT BEEN REACHED ON PRICE OR QUANTITY, BUT MIHAIESCU INDICATED THE ROMANIANS ARE CONSIDERING FURTHER PURCHASES FOR THIS YEAR. UNDER LAST YEAR'S TRADE ACCORD, ROMANIA EXPORTED 30 ON-SHORE DRILLING RIGS AND GEOLOGICAL RESEARCH EQUIPMENT VALUED AT \$35 MILLION AND WILL PROBABLY OFFER SIMILAR QUANTITIES OF OIL FIELD EQUIPMENT THIS YEAR.

4. TRADE IN 1975. BASED ON CONTRACTS CONCLUDED, MIHAIESCU SAID HIS EMBASSY NOW ESTIMATES THE VALUE OF GOODS EXCHANGED UNDER THE 1975 SINO-ROMANIAN TRADE PROTOCOL AT \$360 MILLION (1.8 BILLION LEI) OR ABOUT \$40 MILLION HIGHER THAN ESTIMATES PREVIOUSLY PROVIDED TO USLO. COMMODITY COMPOSITION AND QUANTITIES OF MAJOR ITEMS ARE, HOWEVER, IDENTICAL WITH THOSE REPORTED REF B). THIS NEW FIGURE REPRESENTS ONLY A 3.6 PERCENT INCREASE OVER THE \$166.6 MILLION WHICH HE SAID WERE PROVIDED FOR UNDER THE BILATERAL TRADE AGREEMENT IN 1974. THAYER

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